

COUNTY OF SAN DIEGO, CALIFORNIA
BOARD OF SUPERVISORS POLICY

Subject

Mid-Year Budget Changes

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Purpose:

The purpose of this policy is to require that: (1) all mid-year General Fund savings and over realized revenue identified by County departments/courts will be used to offset net County costs of the appropriate program, i.e., reserved as a contribution to the year-end fund balance or appropriated to Contingency Reserve, and (2) all letters to the Board of Supervisors include a standardized statement of costs necessary to implement the recommendations submitted for actions, and a justification of need for the proposal to be addressed outside the annual process, where competing needs could be evaluated.

Background

The County must continue to operate in an era of severe fiscal constraints due to limited resources and increasing expenditure pressures. This is the result of 1) State property tax and program funding inequities; 2) revenue cutbacks, increasing mandates and matching requirements of the Federal and State government; 3) population and workload increases; and 4) other factors, such as lawsuits. Any department savings or over realized revenue which develop must first be used to offset any potential year-end deficit which may result from the factors outlined above before any consideration of expanding programs beyond budgeted levels.

The County's Contingency Reserve must also be maintained for potential emergencies, and other unforeseen events such as lawsuits. Operational costs overruns, and other mid-year proposals may not be able to be funded even though there is justification based on need and cost benefit. The Board of Supervisors and the Chief Administrative Officer are concerned that available discretionary revenues should not be spent through mid-year actions outside the annual budget process unless there is a very rigorous review process. Accordingly, it is necessary to establish a process for mid-year budget changes, including a fiscal impact statement which focuses on the following key factors: 1) level of mandate/discretion; 2) department savings or over realized revenue; 3) grant matching requirements; 4) impacts on support services; and 5) unbudgeted net General Fund costs.

Policy

Accordingly, it is the policy of the Board of Supervisors that:

All mid-year General Fund savings realized by County departments and Courts and all unexpended categorical aid revenues held in trust funds will be used to offset net County costs of the related program and to augment the year-end fund balance.

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1. Savings refers to dollars budgeted but not expended for a specific purpose in any and all expenditure categories, e.g., salaries and benefits, services and supplies, etc. It also includes any over realized/unanticipated revenues.

2. Previously unbudgeted projects/activities will not be implemented using departmental saving. These include, but are not limited to: new contracts, contract extensions or increases, new personnel hires, and equipment purchases.

3. No activity will be funded or implemented which would be required by law to remain at County expense in subsequent years.

4. Requests for a waiver to this policy will be reviewed by the CAO on a case by case basis and could include:

- a. Funds which, if not spent for the proposed or a similar activity, would not be received by the County or would be returned to the State/Federal government. Approval of these activities, however, is subject to the requirements of Board of Supervisors' Policy B-51.
- b. Funds which are proposed to be expended for unanticipated activities of a particularly sensitive or critical nature. These items will be identified by the

Chief Administrative Officer.

5. Requests for appropriation transfers or appropriation of unanticipated/ over realized revenues that involve discretionary resources will include a request for waiver of this policy to be included in the Board Letter requesting the transfer. In those instances where the transfer requested is from a non-discretionary resource, the Board letter will include an explanation detailing why the resource is not discretionary.

6. Categorical aid grants that allow carryover of funds from year to year (revenues in excess of costs/expenditure held in trust funds) shall be referred to budget development for the ensuing years budget for review of alternative usages of these revenues. This review will include the potential for revenue usage to either avoid net County Cost increases, or reduce net County costs. Departments requesting mid-year usage of categorical aid funds held in trust will include a request for waiver of this Policy, and include in the Board letter a discussion of alternative uses to which the revenues can be applied.

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7. Approval of all new proposals for changes to County operations, programs or laws, will be withheld unless a detailed Fiscal Impact Statement, specific to the proposal, is a component of the Board letter and includes:

- a. Estimated current year and annual costs for implementation or enforcement. This will include an evaluation of support requirements.
- b. Source of specific and continuous revenue to pay for direct and indirect costs of the proposed change.
- c. If implementation is expected to use existing resources or redirect staff time or revenue, an identification of the specific function or program being revised or eliminated will be provided.
- d. Requests to fund unbudgeted needs will include a justification of need for approval outside the annual process. This will provide a basis for the item to be addressed separately from competing needs, including time requirements for action, its critical or emergency nature, or Federal or State requirements.

Administration

Chief Administrative Officer's Quarterly Budget Status Reports to the Board of Supervisors will be the primary vehicle that will identify conditions that will necessitate compliance with this policy, or identify periods when greater discretion can be allowed regarding departmental savings. In the event the Board approves an incentive plan that contains provisions for exemption from the policy, greater discretion will be allowed.

Sunset Review

This policy will be reviewed for continuance by 12-31-01.

Previous Board Action

3-9-82 (44)

10-30-84 (101)

12-15-87 (6)

5-17-88 (43)

10-18-88 (11) (Amended and title revised)

05-15-96 (11)

CAO Reference

1. Chief Administrative Office
2. Auditor and Controller